

Before the  
Federal Communications Commission  
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

In the Matter of )

Advanced Television Systems )  
and Their Impact Upon the )  
Existing Television Broadcast )  
Service )

MM Docket No. 87-268

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**COMMENTS OF DOUGLASS POLICY INSTITUTE**

Organized in 1993, the Douglass Policy Institute (DPI) is a nonpartisan education and research organization. A virtual think tank, DPI's mission is to promote public awareness and citizen participation in major public policy issues in the areas of telecommunications, education and technology, education reform, and global competitiveness.

DPI supports the Benton Foundation's initiative to define broadcasters' obligations before they receive digital television licenses. Indeed, DPI questions the wisdom and fairness of a public policy that unjustly enriches broadcasters by *giving* them additional spectrum with an estimated value of upwards of \$100 billion, mandates that consumers spend tens of billions of dollars to receive "free TV," widens the trade deficit, and disenfranchises millions of Americans who depend on free, over-the-air television as their primary source for news, information and entertainment. The threshold question for the Federal Communications Commission should be: What public interest, if any, is being served by a government-mandated transition to digital transmission?<sup>1</sup>

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<sup>1</sup> See statement of Faye M. Anderson at 1, dated November 28, 1995.

Declining network viewership clearly suggests that consumers are unlikely to spend a sizeable chunk of their declining wages to purchase \$3,000 digital TV sets in order to receive prettier pictures of programming that 80 percent of Americans believe undermines traditional family values and is harmful to children. As one pundit has described this new technology: "Digital television simply would give viewers clearer pictures of all this trash."<sup>2</sup>

As baby boomers reach retirement age in 15 years, it strains credulity that Congress or the President will allow broadcasters to pull the plug on analog transmission and disenfranchise millions of senior citizens who choose not to invest their retirement savings in digital TV sets. Consider this: Today, Americans age 65 and over spend a mere \$392 annually on TV, radio and audio equipment *combined*; among those over 75, the average annual expenditure is a penurious \$240.00.<sup>3</sup> Meanwhile, during the 10- to 15-year proposed transition to digital transmission, broadcasters will have the "flexibility" to offer lucrative subscription services through multicasting as they attempt to build an audience for digital TV.

For the past ten years, special interest groups have dictated the terms of the debate. However, as the guardian and trustee of the public interest in the public airwaves, the Federal Communications Commission can do no less than define concrete--and measurable--public

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<sup>2</sup> Grimsley, Edward. "Technology driving the raunch curve." The Washington Times, January 4, 1997.


<sup>3</sup> Economic and Statistics Administration, Bureau of the Census, U.S. Department of Commerce, Statistical Abstract of the United States (1996).

interest obligations for broadcasters who are seeking to use a public resource to remain competitive in a multichannel environment on the backs of American taxpayers.

DOUGLASS POLICY INSTITUTE



Milton Bins  
Chairman



Faye M. Anderson  
President  
Douglass Policy Institute  
P.O. Box 66051  
Washington, DC 20035-6051  
(202) 488-8458

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FAYE  
ANDERSON

# Television Broadcasters: The New Welfare Kings

Everywhere you look in Washington these days, you'll find someone who is out to end welfare as we know it. Problem is, the welfare programs they want to reform tend to include just Aid to Families with Dependent Children (AFDC), the safety net for mothers and children who are living at or below the poverty level. Well, there's a far more expensive and egregious AFDC program about which we hear precious little—Aid For Dependent Corporations.

The new welfare kings don't live in America's depressed urban and rural areas, and you won't see them at the bus stop. No, these welfare kings wear a spit-shine on their polished wing-tips and whisk from one steel-and-glass tower to the next in chauffeur-driven limousines. And here's the kicker: The new welfare kings are about to pull off their biggest scam yet—a \$100 billion rip-off of additional broadcast spectrum in which the unwitting dupes are the American taxpayers who own the spectrum.

The story began a few years ago when the Federal Communications Commission embarked on a misguided industrial policy to promote a new kind of television that would offer crisper, more detailed pictures. Known as high definition television or HDTV, this television for the 21st century will require new receivers so anyone who wants to watch it will have to buy a new television set that will cost around \$2500.

To ease the transition for the nation's "struggling" broadcasters (the four major networks—ABC, CBS, NBC and Fox—posted profits totaling \$3.41 billion in 1994 according to an Aug. 1, 1995, report in the Wall Street Journal), the FCC decided to give them a second chunk of broadcast spectrum equal in size to the spectrum they already have. The plan was to continue to use the old spectrum to broadcast with traditional analog technology while making the transition to HDTV.

We all know the line about the best laid plans of mice and men (no, I'm not referring to the Disney/ABC deal because there's nothing mickey-mouse about this giveaway). As it often does, technology overtook public policy and rendered obsolete the FCC plan for HDTV. With the advent of digital compression technology, broadcasters discovered that they could use the new spectrum for purposes other than HDTV. Instead of sending out a single HDTV signal, they could use the spectrum to transmit up to six channels of digitally-compressed broadcast or non-broadcast services (read: six new revenue streams), or as many as 72 channels of CD-quality radio. So even though the original plan has been cancelled, the broadcasters are stalking the halls of Congress saying, "I want my HDTV spectrum."

With the federal coffers bare and Congress calling for shared sacrifice to balance the budget by 2002, it defies common sense that the public interest will somehow be

served by giving away a public resource estimated to be worth between \$11 billion and \$100 billion to subsidize some corporate fat cats.

Senate Majority Leader Bob Dole has led the fight to roll back this corporate welfare program which, if implemented, would rip off American taxpayers, and establish a new federal bureaucracy to micromanage the nascent advanced television services industry. Indeed, Dole threatened to hold up passage of the Telecommunications Act of 1996 unless the broadcast spectrum provision was stripped from the legislation. After receiving written assurances from all five FCC commissioners that no award of initial licenses or construction permits for advanced television services will be made until Congress has examined the issue in the light of day with input from the American people, Congress put the spectrum issue on pause and on Feb. 1, passed the Act by a vote of 414 to 16 in the House and 91 to 5 in the Senate. President Clinton signed the bill into law on Feb. 8 at a multimedia ceremony at the Library of Congress.

Sen. Larry Pressler (R-SD), chairman of the Senate Committee on Commerce, Science and Transportation, has announced he will hold four spectrum hearings beginning in April "to make sure the interests of the American taxpayer are protected." Sen. Dole has been invited to be the lead-off witness. If at the conclusion of the hearings television broadcasters are not forced to ante up their fair share, they will reap an unfair and unearned advantage over small businesses, and women and minority-owned businesses who last year paid hundreds of millions of dollars for licenses to provide interactive and wireless communications services. Indeed, the FCC is currently auctioning licenses for personal communications services that have been set aside for bidding exclusively by small businesses. As of Feb. 6, the so-called "C-Block" auction has raised \$5.3 billion (since 1994, the FCC has raised \$15.2 billion in total auction revenues). With a gift of new spectrum, broadcasters will be able to compete against the auction winners with no upfront payment to the U.S. Treasury.

The Republican Congress must protect the public interest and pull the plug on this sweetheart deal, thereby, ending the reign of the new welfare kings. They must heed the clear message that voters sent in the 1994 mid-term elections to end business as usual in Washington. Otherwise, all the talk about welfare reform comes down to this: The only welfare recipients the Republican "revolutionaries" want to get out of the wagon are those who don't have an army of lawyers and lobbyists demanding their turn at the federal pork barrel at the expense of the American taxpayer.

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**Faye M. Anderson** is president of the Douglass Policy Institute, a research organization based in Washington, D.C.